

Message Text

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ACTION EB-11

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TAGS: EAGR, MY

SUBJECT: PALM OIL--MALAYSIA WITHDRAWS FROM WORLD MARKET

1. SUMMARY: MALAYSIAN PALM OIL PRODUCERS ASSOCIATION (MPOPA), REPRESENTING ALL MAJOR MALAYSIAN PALM OIL PRODUCERS INCLUDING QUASI-GOVERNMENT FEDERAL LAND DEVELOPMENT AUTHORITY, HAS BEEN OUT OF WORLD MARKET SINCE AUGUST 29. ACCORDING CHAIRMAN MPOPA, WITHDRAWAL PRECIPITATED BY LATE AUGUST DROP IN VEGETABLE OILS MARKET FOR FOLLOWING REASONS (A) FUTURE DELIVERIES SOLD FOR NEXT SIX MONTHS, I.E., THRU FEB 74, TWICE NORMAL ADVANCE PERIOD OF THREE MONTHS: (B) STAYING IN MARKET WOULD FURTHER CONTRIBUTE TO DECLINE IN FUTURE PRICES BEYOND FEB 74: AND (C) MALAYSIANS WANT EVALUATE AND ASSESS WORLD MARKET EFFECTS OF 1973 VEGETABLE OIL CROPS, ESPECIALLY SOYBEANS. MPOPA CAN REMAIN OUT OF WORLD MARKET UNTIL EARLY DECEMBER 73 BUT WILL RE-ENTER ANYTIME MARKET JUSTIFIES. IN THE MEANTIME CURRENT DELIVERIES WILL CONTINUE ON EXISTING CONTRACTS.

2. STRAITS TIMES NEWSPAPER ARTICLE SEPT 12 SAYS MPOPA WITHDREW FROM WORLD MARKET AUGUST 29 BECAUSE ERRATIC BE-
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HAVIOR WORLD MARKET. M.G. CHEVASSUT, CHAIRMAN MPOPA, QUOTED

AS SAYING MALAYSIA WITHDREW AT TIME WHEN PRICES OF OTHER VEGETABLE OILS FALLING AND MPOPA ENVISAGED PRICE OF PALM OIL WOULD FALL IN SYMPATHY. UNLESS PRICES VEGETABLE OILS STABILIZE MPOPA WILL NOT RE-ENTER MARKET. HOW LONG UNCERTAIN SITUATION WILL LAST DIFFICULT FORECAST, BUT CERTAINLY WILL NOT IMPROVE IN NEAR FUTURE.

3. ALL MAJOR PRODUCERS PALM OIL IN MALAYSIA MEMBERS OF MPOPA (E.G., SOCFIN, GUTHRIE PALM PRODUCTS, HARRISONS AND CROSSFIELD, CENTRAL PALM OIL INDUSTRIES) INCLUDING QUASI-GOVERNMENT FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA) WHICH DEVELOPING PALM OIL ESTATES IN CONNECTION WITH LAND RESETTLEMENT PROGRAM.

4. IN PRIVATE CONVERSATIONS CHAIRMAN MPOPA AND DIRECTOR PRIVATE PALM OIL PRODUCING FIRM STATE MPOPA WITHDREW FROM WORLD MARKET BECAUSE OF DECLINING PRICES. COULD AFFORD WITHDRAWAL BECAUSE FUTURE DELIVERIES SOLD THRU FEB 74, SIX MONTHS IN ADVANCE WHEREAS NORMAL FORWARD ORDERS ARE THREE MONTHS. BELIEVE THAT STAYING IN MARKET WOULD CONTRIBUTE TO FURTHER DECLINE IN FUTURE PRICES AFTER FEB 74. ALSO, WANT TIME TO ASSESS EFFECTS ON WORLD PRICES OF 1973 U.S. SOYBEAN AND EUROPEAN SUNFLOWER SEED CROPS. CHAIRMAN MPOPA SAYS CAN REMAIN OUT OF WORLD MARKET UNTIL EARLY DECEMBER 73 AS PALM OIL PRODUCTION TO THAT TIME COMMITTED TO FILLING FORWARD SALES THRU FEB 74. MPOPA WILL CAREFULLY MONITOR MARKET AND RE-ENTER IF CONDITIONS FAVORABLE, I.E., IF PRICE RISES TO POINT MPOPA DEEMS BEST PRICE AVAILABLE. FROM AUG 29 TO DATE LONGEST PERIOD MALAYSIA HAS EVER WITHDRAWN FROM MARKET; PREVIOUS WITHDRAWALS LASTED SEVERAL DAYS AT MOST.

5. COMMENT: MPOPA APPEARS OPTIMISTIC THAT PALM OIL PRICES WILL REBOUND TO HIGH LEVELS DURING COMING YEAR. WHEN LATEST USDA ESTIMATES OF 1973 U.S. SOYBEAN CROP WERE MENTIONED, BOTH CHAIRMAN MPOPA AND DIRECTOR PRIVATE FIRM RESPONDED THAT EVEN IF USDA CROP ESTIMATES TOTALLY ACCURATE THEY BELIEVE WORLD DEMAND FOR VEGETABLE OILS WILL CONTINUE EXCEED SUPPLY AND PRICES WILL RISE.

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